

City of Detroit

CITY COUNCIL

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TO: Loren Monroe, Auditor General

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 1, 2009

RE: 2009-2010 Budget Analysis

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Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, May 6, 2009 at 2:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Director
Ron Chenault, Budget Department
Joe Harris, Finance Department
Arese Robinson, Mayor's Office

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Auditor General (50)

FY 2009-2010 Budget Analysis by the Fiscal Analysis Division

Summary

The Office of the Auditor General (OAG) is a Legislative General Fund Agency.

The recommended 2009-2010 budgeted appropriations total \$3,315,167 including \$58,758 for the Risk Management Council. The agency's net tax cost is \$3,315,167, which is \$520,951 (13.6%) less than the 2008-2009 FY.

The Mayor recommends the elimination of seven positions (30.4%). Included in the reductions are the elimination of 4 vacancies and 3 layoffs.

2008-2009 Surplus/(Deficit)

A surplus of \$324,000 is projected for the OAG for the current fiscal year ending June 30, 2009. The surplus is due to an appropriations surplus of \$250,000 due to vacancies and a \$74,000 revenue surplus due primarily to DWSD's reimbursement to the General Fund for its share of CAFR costs.

Overtime

The Mayor's Proposed Budget has \$27,040 budgeted for overtime which is a \$5,150 (16%) decrease from the 2008-2009 FY. As of March 31, 2009, overtime costs for the OAG are \$21,001, which is 65.2% of its annual overtime allocation.

Personnel and Turnover Savings

The Mayor anticipates no turnover savings for this agency.

Following is information by appropriation comparing budgeted FY 2008-09 positions, March 31, 2009 filled positions and FY 2009-2010 recommended positions.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2008-09</u>	<u>Filled Positions 3/31/2009</u>	<u>Mayor's Budget Positions FY 2009-10</u>	<u>Over/(Under) Actual to 08/09 Budget</u>	<u>Mayor's Recommended Turnover</u>
Auditor General (50):					
500010 Admin. & General Office	5	4	3	(1)	\$ -
500020 Auditing-Operations	16	12	11	(4)	\$ -
00261 Auditing Operations	21	16	14	(5)	\$ -
11195 Risk Management Council	2	3	2	1	\$ -
TOTAL	<u>23</u>	<u>19</u>	<u>16</u>	<u>(4)</u>	<u>\$ -</u>

Significant Changes in Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
0261	Auditing Operations	The Mayor's Proposed Budget for this appropriation decreases by \$639,796. The decrease is due primarily to a \$379,336 reduction in org 50-0020 Auditing-Operations, consisting of the loss of five position and their corresponding salary and wages decreases. In addition there is a \$260,460 reduction in org 50-0010 Administration & General Office, due primarily to salary & benefit decreases and the loss of two positions.
11195	Risk Management Council	This appropriation increases by \$58,758 due to salary and benefits increases of \$109,358, offset by the elimination of \$50,000 in Auditing costs and the elimination of \$600 in dues & miscellaneous costs.
12680	Auditing - CAFR	This appropriation of \$1.34 million, contains the costs for the preparation of the 2009 KPMG single audit report, and the City's annual CAFR (Comprehensive Annual Financial Report).

Auditor General (50)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2008-09 Budget</u>	<u>FY 2009-10 Recommended</u>	<u>Increase (Decrease)</u>
Auditing Operations	<u>\$ 1,337,193</u>	<u>\$ 1,347,280</u>	<u>\$ 10,087</u>
Total	<u>\$ 1,337,193</u>	<u>\$ 1,347,280</u>	<u>\$ 10,087</u>

Professional contractual services increase slightly by \$10,087 in the 2009-10 FY.

Issues and Questions

The Mayor has recommended the elimination of seven positions (30.4%) in the 2009-10 FY budget for the Office of the Auditor General (OAG). Included in the reductions are the elimination of 4 vacancies and 3 layoffs.

- Given the fact that the OAG has a chartered mandated responsibility to audit each department in the City every two years, how will the recommended reductions impact OAG's ability to fulfill its chartered mandated responsibilities?
- Is the current level of staffing adequate for the OAG to meet its auditing goals?

Does the current 2008-09 budget accurately reflect the costs for the KPMG single audit and the costs for the CAFR?

The OAG has been given the responsibility to monitor the City's Stimulus activities.

- Please describe the OAG's role in this activity and how will the recommended staffing reductions impact this endeavor?

(Pg. 50-3) Auditing Operations Measures and Targets

Outputs: Units of activity directed towards Goals	2006-07	2007-08	2008-09	2009-10
	Actual	Actual	Projected	Target
Reports on Audits of Financial Transactions	18	21	21	21

- The performance measures for the activity listed above have increased since the 2006-07 FY. Is the OAG currently performing in line with the 2008-09 projections?

Outputs: Units of activity directed towards Goals	2006-07	2007-08	2008-09	2009-10
	Actual	Actual	Projected	Target
Claims hearings	31	45	40	40

- The performance measures for claims hearings are projected to decrease from the 2007-08 FY. Have the number of appeals of the Law Department declined?

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